

Office of the
Legislative Fiscal Analyst

FY 2005 Budget Recommendations

Joint Appropriations Subcommittee for
Commerce and Revenue

Department of Financial Institutions

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1.0 Department of Financial Institutions

Summary

The Department of Financial Institutions regulates depository institutions: state-chartered deposit taking institutions including banks, savings and loan associations, credit unions, and Industrial Loan Corporations. It also regulates Third-Party Payment Providers, Independent Escrow Companies, Check Cashers and Payday Lenders, and Mortgage Loan Servicers operating in Utah.

Funding for the Department is from a General Fund Restricted Account for Financial Institutions. Fees are collected on assets under supervision and on some examinations (UCA 7-1-401,402, 403). These funds are used solely for the regulation of financial institutions. Funds remaining at the end of the year lapse back to the restricted account.

Department Mission Statement

The Department of Financial Institutions promotes the availability of sound financial services through chartering, regulating, and supervising. The Department is open to establishing new and enhancing existing financial products.

The department's primary activity is the examination of depository institutions for financial strength and solvency. In the case of depository institutions, the statutory charge is to charter, regulate, supervise and safeguard the interest of shareholders, members, depositors, and borrowers, through on site examinations and remedial action orders.

For persons or entities that provide public financial services, the statutory requirement is that consumer credit terms be lawful and easily understood.

Financial Summary

	Analyst FY 2005 Base	Analyst FY 2005 Changes	Analyst FY 2005 Total
Financing			
General Fund Restricted	4,463,900		4,463,900
Total	<u>\$4,463,900</u>	<u>\$0</u>	<u>\$4,463,900</u>
Programs			
Financial Institutions Administration	4,463,900		4,463,900
Total	<u>\$4,463,900</u>	<u>\$0</u>	<u>\$4,463,900</u>
FTE/Other			
Total FTE	65		65

3.1 Programs: Financial Institutions -Administration

Recommendation

The Analyst recommends funding of \$4,349,100 General Fund Restricted - Financial Institutions. This funding is for all Department personnel and operations.

Financial Summary

	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Financing				
GFR - Financial Institutions	4,181,600	4,476,000	4,349,100	(126,900)
Lapsing Balance	(213,400)			
Total	<u>\$3,968,200</u>	<u>\$4,476,000</u>	<u>\$4,349,100</u>	<u>(\$126,900)</u>
Expenditures				
Personal Services	3,486,000	3,750,700	3,922,300	171,600
In-State Travel	82,500	104,000	85,400	(18,600)
Out of State Travel	114,500	144,500	117,100	(27,400)
Current Expense	262,600	352,000	179,500	(172,500)
DP Current Expense	22,600	124,800	44,800	(80,000)
Total	<u>\$3,968,200</u>	<u>\$4,476,000</u>	<u>\$4,349,100</u>	<u>(\$126,900)</u>
FTE/Other				
Total FTE	50	65	65	0

*Non-state funds as estimated by agency

Summary

Financial Institutions regulates 25 banks, 89 credit unions, 26 industrial loan companies, 2 trust companies, and 1 savings and loan. This totals 141 institutions. It also regulates 28 travelers check or money order issuers, 8 independent escrow companies, 101 check cashers/payday lenders, and 256 residential first mortgage loan servicers. The Department employs 65.

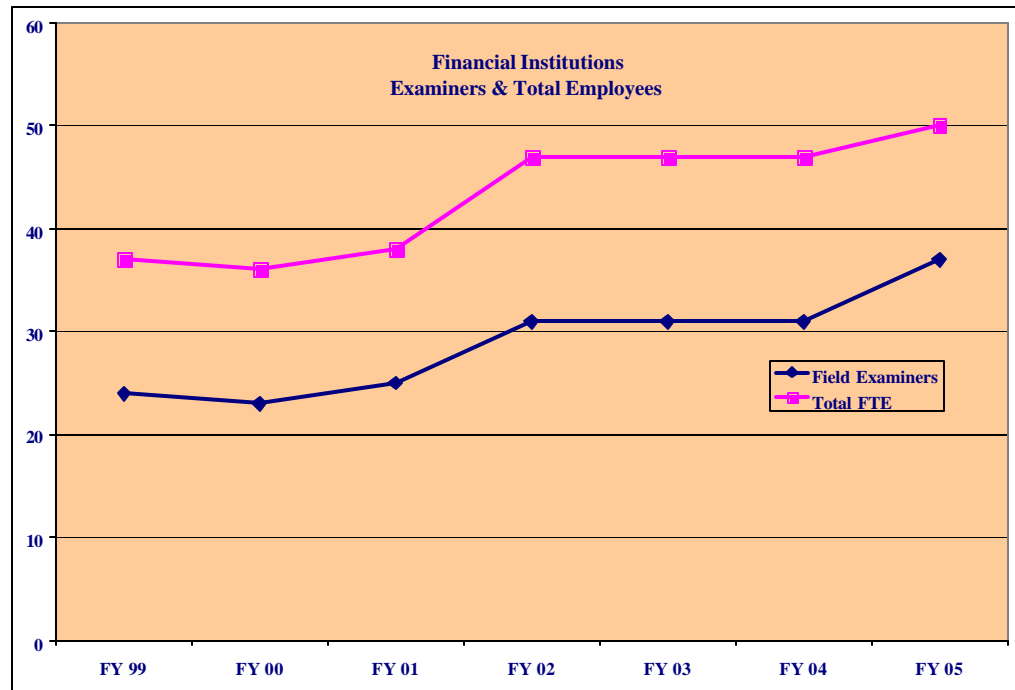
Two primary Department goals are: 1) to do the number of examinations required to maintain the health of the State-chartered banking and credit union systems in Utah; and 2) to be accredited by the financial institution peers in an interstate banking environment.

Department Revenue

The Department of Financial Institutions has a dedicated source of revenue from fees approved by the Legislature. These funds are deposited into a General Fund restricted account identified for the Department. All allocations of funds to the Department must be appropriated by the Legislature. Unexpended funds at the end of the year automatically lapse back to the Restricted General Fund Account for the Department of Financial Institutions.

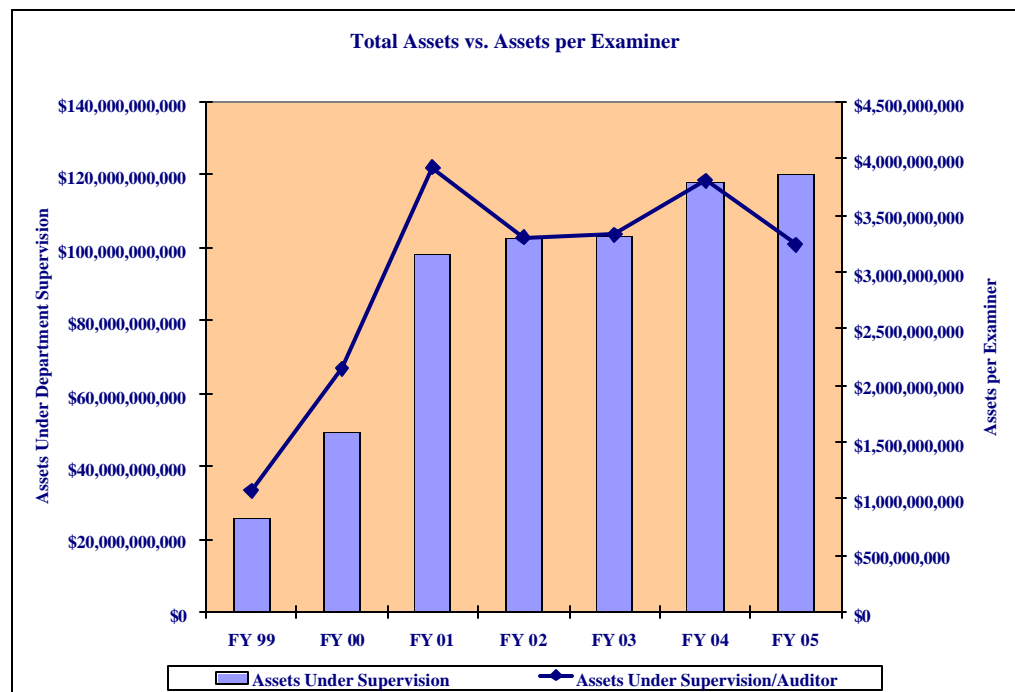
FTE

The increase in examiners has not brought a corresponding increase in support staff.



Examiners & Assets

The number of examiners has increased enough to keep the Assets per Examiner within the \$3B to \$4B range.



3.2 Programs: Financial Institutions -Office Lease

Recommendation The Analyst recommends funding of \$114,800 from the General Fund Restricted Account for Financial Institutions.

Financial Summary

	2003 Actual	2004 Estimated*	2005 Analyst	Est/Analyst Difference
Financing				
GFR - Financial Institutions	105,300	114,800	114,800	
Total	<u>\$105,300</u>	<u>\$114,800</u>	<u>\$114,800</u>	<u>\$0</u>
Expenditures				
Current Expense	105,300	114,800	114,800	
Total	<u>\$105,300</u>	<u>\$114,800</u>	<u>\$114,800</u>	<u>\$0</u>

*Non-state funds as estimated by agency

Summary

The Department of Financial Institutions is located at 324 South State Street on the second floor. This prime Salt Lake City office space is located in an area of escalating lease expenses. Parking is provided from third party vendors. The Department's lease is well within the acceptable range established by the Division of Facilities and Construction Management (DFCM).

4.0 Tables: Department of Financial Institutions

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated*	2005 Analyst
Financing					
General Fund Restricted	2,907,800	3,929,100	4,286,900	4,590,800	4,463,900
Lapsing Balance	(156,100)	(538,300)	(213,400)		
Total	\$2,751,700	\$3,390,800	\$4,073,500	\$4,590,800	\$4,463,900
Programs					
Financial Institutions Administration	2,751,700	3,390,800	4,073,500	4,590,800	4,463,900
Total	\$2,751,700	\$3,390,800	\$4,073,500	\$4,590,800	\$4,463,900
Expenditures					
Personal Services	2,343,200	2,728,100	3,486,000	3,750,700	3,922,300
In-State Travel	49,000	78,200	82,500	104,000	85,400
Out of State Travel	63,200	78,000	114,500	144,500	117,100
Current Expense	231,400	308,300	367,900	466,800	294,300
DP Current Expense	51,200	198,200	22,600	124,800	44,800
Capital Outlay	13,700				
Total	\$2,751,700	\$3,390,800	\$4,073,500	\$4,590,800	\$4,463,900
FTE/Other					
Total FTE	40	50	50	65	65

*Non-state funds as estimated by agency.